

REAL ESTATE ADVISORY COUNCIL

REPORT TO THE

VIRGINIA REAL ESTATE BOARD

October 23, 2003

Background

In 2003, the General Assembly passed legislation (HB 2723) to require new real estate licensees to complete 30 hours of continuing education prior to the first renewal of their license. The new requirement becomes effective on January 1, 2004 and covers three practice tracks: 1) residential real estate; 2) commercial real estate; and 3) property management. The law further provides that the three practice tracks shall include topics on contract writing, handling customer deposits, listing property, leasing property, agency, current industry issues and trends, property owners' and condominium association law, landlord-tenant law, Board regulations, and such other topics as designated by the Board.

Advisory Council

In accordance with the new law, the Real Estate Board formed an advisory group of industry members to establish curriculum guidelines for each practice track as follows:

Advisory Council Chair:

Joseph K. Funkhouser, II,
Chairman, Real Estate Board

Advisory Council Vice-Chair:

S. Ronald Owens
Vice Chairman, Real Estate Board

Practice Tracks

Residential Real Estate

Sharon Johnson, Member, Real Estate Board
Ann Palmateer, Industry Member
Cindy Stackhouse, Industry Member
Earl Jackson, Industry Member

Commercial Real Estate

Gerald S. Divaris, Member, Real Estate Board
Doug Sawyer, Industry Member
Ed Hall, Industry Member
Ned Massie, Industry Member

Property Management

R. Schaefer Oglesby, Member, Real Estate Board
Brenda Puckett, Industry Member
Michael Fox, Industry Member

At its first meeting, the Advisory Council made the following determinations. The courses should be specific, of high quality, and timely. There should be some crossover between the practice tracks, subtracks within the practice tracks, a diversity of courses in various population areas and the licensee should be permitted to choose the level of intensity of courses among the elective courses. Institute, society and association courses should be permitted. A focus should be placed on improving the delivery systems of the courses.

Practice Tracks

The Advisory Council then proceeded to work in groups related to each of the three practice areas. At the October 21, 2003 meeting of the Council each workgroup presented their work product to the full Advisory Council. The Advisory Council adopted the following curriculum for each practice track. Within each 30-hour curriculum, there are mandatory topics and elective topics. Once a licensee selects a practice track, he must complete the mandatory hours within that practice track. He may then complete the elective hours in the same practice track or choose electives from another practice track. A minimum of 30 hours must be completed in order to renew the license. (In accordance with the new law, the new licensee completing the 30 hour requirement is not required to complete the 16 hour requirement for other licensees.)

Residential Real Estate

Mandatory topics: The following topics are required as an introduction to the residential real estate practice track. Each of the sections covers a minimum of three hours, for a total of **fifteen** mandatory hours.

1. **Agency Law** – Seller agency, buyer agency, designated agency, dual agency.
2. **Fair Housing** – Definitions, advertising, ADA compliance, current case review.
3. **Real Estate Law** – Board regulations, property owners' and condominium associations, environmental issues including underground storage tanks, wetlands, mold and radon.
4. **Offer to Purchase** – Contract writing, deposits, contingencies.
5. **Ethics and Standards of Conduct/Current Industry Issues and Trends**

Elective Topics – The number of hours for each topic is specified below.

Finance – Mortgages, conventional, VA, FHA, VHDA. Buyer Qualification, mortgage calculator, mortgage table. **3 hours**

Technology – Palm pilots, software options, hardware options. **3 hours**

Property Valuation/Listing Process – Broker price opinions, comparative market analysis, basic appraisal principles. Presentations, contracts, lead-based paint form, Residential Property Disclosure Act form. **3 hours**

Business Planning – Creating a business plan, marketing, prospecting. **2 hours**

Selling Process – Review of offer to purchase and components, multiple offers, selling new construction, selling HUD properties, selling REO and foreclosure properties, hazard insurance. Closing and settlement, HUD I, RESPA. **3 hours**

Land Use Issues – Zoning, tax assessments, land development. **1 hour**

Commercial Real Estate

Mandatory topics: The following topics are required as an introduction to the commercial real estate practice track. Each of the sections covers a minimum of three hours, for a total of **nine** mandatory hours.

1. **Contract Writing** – Contracts covered include sales, full service leases, triple net leases, ground leases, listing agreements, representation agreements and the principles of contract law.

Handling Customer Deposits – Escrows, trust accounts, and the difference between refundable, applicable, and good faith deposits.

Agency – The responsibilities and obligations of the agents: fiduciary responsibility, disclosure, buyer/tenant-landlord/seller agencies, sub-agency, dual agency, and the laws of agency.

2. **Listing Property** – Sole agency, open listings, exclusive right to sell, exclusive right to lease, vacant land, owner occupied, investment properties, build-to-suit, etc.

Leasing Property – Overview of office, retail, industrial, and land, highlighting the differences in procedures, marketing, information delivery, etc.

Current Industry Issues and Trends – REITS, corporate services, power centers, emerging shopping patterns, internet, master brokers, facility management.

3. **Property Owners' and Condominium Association Law** – Commercial condominiums, fee simple ownership, leasehold interest, reversionary interests, remainderman interest, subordinated interest, etc.

Landlord Tenant Law – Sections 55-217 through 55-248, *Code of Virginia*.

Real Estate Board Regulations and Statutes

Americans with Disabilities Act – as it applies to commercial property.

Elective Topics – The number of hours for each topic is specified below.

Land – Sales, leases, easements, subsurface rights, air rights, entitlements, zoning, environmental issues, access, topographic issues, etc. **3 hours**

Finance – Construction finance, long term finance, mezzanine finance, conduit loans, equity loans, seller financing, and the use of different forms of mortgages, liens, and other instruments providing collateral. Types of lenders: banks, conduit lenders, institutional sources of finance. Loan to value ratios, debt service coverage, foreclosures, etc. **2 hours**

Leasing – Four primary areas – office, industrial, retail, and land. Principles of leasing verses ownership, including the benefits and disadvantages of leasing and types of contracts: full service, triple net, and modified gross. Common area charges, exclusive uses, radius restrictions, escalations, step-ups, CPI's, tenant improvement allowances, core factors, build-to-suit, and reverse build-to-suit. **4 hours**

Property Management – Principles of property management relating to open air shopping centers, enclosed malls, office buildings (high-rise, mid-rise and low-rise), distribution centers, industrial buildings, flex space. Topics to be covered include promotions, marketing, facility management, common area maintenance charge reconciliation, real estate tax prorations, collections, and management services such as security, concierge, maintenance, etc. **2 hours**

Sales – Investment sales verses sales to users. Cash flows, proforma calculations, residual values, projections, due diligence, disposition of surplus properties for users or tenants, estoppel certificates and foreclosure sales. **3 hours**

Consulting Services – Broker opinions of value, marketing, merchandising, tenant mix, repositioning of distressed properties, location strategy for retailers. Requests for proposals, deal analysis, etc. **1 hour**

Development – The scope of work of each member of the development team, entitlements, obtaining approvals, developing a proforma, feasibility study, construction cost estimates, leasing projections, capacity plans, covering office, retail, and industrial, in both urban and suburban locations. Mixed uses, open space, retention basins, signage, parking ratios, pre-leasing requirements. **1 hour**

Market Research – Demographics, traffic counts, sales forecasting, psychographics, economic indices, market growth, labor cost, communications, education, transportation, competition maps, focus studies, cannibalization assessments. **2 hours**

Hospitality/Entertainment – Hotels, resort property, entertainment projects, cinemas, live theaters, restaurants including ground-up construction, in-line or free-standing buildings and restaurant types; fast food, casual dining, table cloth, theme restaurants, etc. **1 hour**

Franchising – Advantages and disadvantages, including the roles of the franchisee and the franchisor, branding, territorial rights verses localized rights, master franchisee, real estate agent's role between franchisee and franchisor, selling a location and/or a franchise. **1 hour**

Government Relations/Government Programs – Local authority approvals, state and federal approvals, TIF finance, incentive programs, redevelopment districts, housing and

redevelopment authorities, public/private partnerships, municipal or cultural components in developments, tax planning, real estate tax protest. **1 hour**

Property Management (Residential)

Mandatory topics: The following topics are required as an introduction to the property management practice track. Each of the sections covers a minimum of four hours, for a total of **twenty** mandatory hours.

1. **Virginia Residential Landlord/Tenant Act and Fair Housing** – History of the Landlord/Tenant Act as well as step by step training on direct application of the law. Virginia and federal Fair Housing laws.
2. **Board Regulations and Statutes, Escrow Management and Accounting, Ethics** – Virginia Real Estate Board licensing laws and proper escrow accounting and their enforcement by the Board. Also property manager ethics in tenant relationships and property owner relationships.
3. **Appraisals, Structures and Construction Process, Uniform Statewide Building Code** – Understanding the income approach to value on rental property, basic construction and building systems, and compliance with the Uniform Statewide Building Code maintenance requirements and the American with Disabilities Act as it applies to rental property.
4. **Contract Writing and Agency** – Writing proper leases, management agreements, applications, rules and regulations, addendums, as well as understanding the agency relationship and related laws in property management.
5. **Risk Management** – Environmental concerns, lead based paint, mold, safety issues, property disclosures, antitrust. How the property manager can protect owners and tenants and avoid lawsuits.

Elective Topics – The number of hours for each topic is specified below.

Tenant/Landlord Relationships – Interpersonal relationships, or how to get along with difficult people. **2 hours**

Understanding Property Owners' and Condominium Association – The related laws and techniques of this type of management. **2 hours**

Rental Marketing – Selling your customer on the lease and what it takes to have a successful leasing program. **2 hours**

Current Industry Issues & Trends – **2 hours**

Contractor/Maintenance Employee Relationship – Negotiating and dealing with trades people and maintenance employees and motivating them to keep quality high and costs low.
2 hours